TEACHERS' PENSION PLAN

Pension News

INFORMATION FOR RETIRED TEACHERS AND THEIR SURVIVORS FALL 2005

Pensions to increase 2.2 per cent in 2006

The average pensioner will receive an extra $66 a month from the Teachers' pension plan next year. The 2006 inflation adjustment, based on changes in the Consumer Price Index, has been pegged at 2.2 per cent. This translates into $792 more in before-tax income for a member collecting an average annual pension of $36,000.

Annual pension	Increase in 2006
$15,000	$ 330
$20,000	$ 440
$25,000	$ 550
$30,000	$ 660
$35,000	$ 770
$40,000	$ 880
$45,000	$ 990
$50,000	$1,100
$55,000	$1,210

The increase will be prorated for pensioners who retired in 2005. For example, if you began your pension in July, you will collect about half of the increase, or 1.1 per cent more in 2006.

The amount of your new monthly pension, after taxes are deducted, will be detailed in a mailing in late January. For now, look at the chart to see how the increase affects different pensions.

How are inflation increases determined?

Inflation increases are guaranteed under the Teachers' pension plan.

To determine the increase, we compare the average Consumer Price Index (CPI) for the 12-month period ending in September to the 12-month average a year earlier.

Many other pension plans calculate increases this way, but some use different time periods. For example, the Canada Pension Plan uses a 12-month period ending in October. (Changes in the CPI that occur after September will be reflected in the 2007 increase in your Teachers' pension.)

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Sonia values her inflation-protected pension.

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How much pension will you receive after you turn 65?

Your total retirement income probably will increase after age 65, despite a reduction in your Teachers' pension.

This is because your Teachers' pension reduction is typically less than the unreduced pension you qualify to receive from the Canada Pension Plan (CPP) at age 65. Even if you decide to take a reduced CPP pension early, your total retirement income at age 65 will not change significantly because of the start of Old Age Security (OAS) payments.

Here are examples of the before-tax income of two career teachers who retired in June 2000. Each retired at age 60 with an 85 factor and 30 years of credit.

Mary began a reduced CPP* pension at age 60

Pension sources	Before age 65	After age 65
Teachers' plan	$ 42,410	$ 36,910
CPP	$ 7,210	$ 7,210
OAS	–	$ 5,750
Total	**$49,620**	**$49,870**

Pierre will begin an unreduced CPP* pension at age 65

Pension sources	Before age 65	After age 65
Teachers' plan	$ 42,410	$ 36,910
CPP	–	$ 9,940
OAS	–	$ 5,750
Total	**$42,410**	**$52,600**

*Assumes Mary and Pierre are eligible for maximum CPP benefits

How to find out how much you will get

To find out how much pension income you will get after age 65, consult the following sources:

Teachers' pension plan

- Check your personal pension information on *i*Access Web, our secure member website
- Check the statement you received when you retired
- Watch for personal notices from us as you near age 65
- Contact our Client Services department

CPP

Consult your CPP *Statement of Contributions*, which also contains benefit information. The statement is available:

- Online at www.sdc.gc.ca – you will need to set up a personal access code.
- In a printed format – call 1-800-277-9914. You will require your social insurance number (SIN).

OAS

- Consult the OAS section of the Social Development Canada website at www.sdc.gc.ca.
- Call 1-800-277-9914. You will require your SIN.

Five key facts about your Teachers' pension reduction

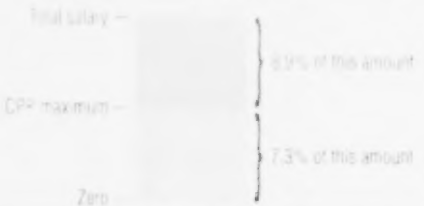
1. Your Teachers' pension is reduced the month after your 65th birthday (or when you begin a CPP disability pension).
2. The reduction is based on a formula, not the actual amount of your CPP pension.
3. You can start a CPP retirement pension before age 65 and it will not affect your Teachers' pension.
4. Career teachers can expect about a $5,000 reduction, in today's dollars, in their Teachers' pension at age 65.
5. The reduction would have been about $8,000 before 1996. (The pension plan was improved to allow members to keep more of their pension after age 65.)

How the plans work together

The Teachers' pension plan, like most major pension plans in the country, is designed to work with the Canada Pension Plan (CPP).

Here's how the two plans work together:

- While you worked, you paid less to the Teachers' plan on that portion of your earnings up to the CPP maximum and more on that portion of your earnings above the CPP maximum. (The maximum, which changes annually, is $41,100 in 2005.)



- When you reach age 65, the formula used to calculate your pension provides a lower amount on salary up to the CPP maximum and a higher pension on salary above it.

Inflation increases add up

Annual inflation increases protect the purchasing power of your pension. This chart shows how much an average unreduced pension has grown as a result of inflation adjustments. For example, a member who began an average unreduced pension of $9,300 in 1975 will be collecting $36,500 a year in 2006. The average pensions shown exclude the age 65 CPP reduction, as well as any reduction for optional enhancements, such as the higher survivor pension. All figures are rounded to the nearest 100.

Pension begins in July	Annual starting pension	2006 annual pension	Average annual increase
1975	$9,300	$36,500	4.6%
1980	$14,900	$38,500	3.8%
1985	$23,400	$40,700	2.7%
1990	$31,500	$44,300	2.2%
1995	$40,800	$50,200	2.0%
2000	$38,200	$43,500	2.4%
2005	$42,200	$42,700	2.2%

Why are the plans integrated?

When CPP was established in 1966, a decision was made to integrate it with the Teachers' pension plan. Integration was designed to keep combined pensions and contributions roughly the same as they had been in the Teachers' plan before CPP was created.

Contributions to the Teachers' plan were reduced by roughly the same amount members were required to contribute to CPP. In turn, pensions from the Teachers' plan were reduced to reflect pensions payable from CPP at age 65.

Integrating the Teachers' plan with CPP in 1966 provided members with a combined pension income equal to about two per cent of their average salary for each year of credit.

While the plans remain integrated, the contribution and pension formulas are no longer directly linked. In other words, the reduction to your Teachers' pension is substantially less than the pension you would get from CPP at age 65.

Pensions to increase by 2.2 per cent in 2006

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Your increase seldom matches the rate of inflation reported in the media. That's because the media usually report monthly changes and your adjustment is based on average changes over a year.

What is the CPI?

The CPI, calculated by Statistics Canada, is the most widely used measure of inflation in Canada. The CPI we use, known as the all-items index, reflects the cost of a weighted basket of 600 consumer items, including food, shelter, clothing, furniture, transportation, gas, home energy and recreation. Changes in the cost of the basket represent changes in the CPI.

Part eight of an investment series

Shopping malls help pay members' pensions

The money you spend at your local shopping centre may help pay your pension.

The Teachers' pension fund owns 15 retail malls in 11 Ontario cities (see chart, page 5) through The Cadillac Fairview Corporation Limited, its private, wholly owned subsidiary.

Cadillac Fairview is one of the largest owners, managers and investors of commercial real estate in North America, with $10.9 billion in assets and more than 33.8 million sq. ft. of leasable space.

Real estate is considered a good fit for the pension plan because it provides a high level of predictable income and is a good hedge against inflation. Last year, the fund's real estate portfolio performed better than many other major asset classes, adding $1 billion in value.

Peter Sharpe
President and CEO
Cadillac Fairview

The Cadillac Fairview portfolio includes some of Canada's landmark properties, such as the Toronto Eaton Centre, the Toronto-Dominion Centre, the Pacific Centre in Vancouver and Montreal's Les Promenades St-Bruno.

The Teachers' fund began investing in real estate in 1991 with a portfolio valued at about $180 million. In March 2000, the fund integrated its real estate division with Cadillac Fairview in a seamless acquisition that saw the pension plan's stake in the company climb to 100 per cent from 22 per cent.

Real estate portfolio
(as at Dec. 31, 2004)

Today, about 13 per cent of the $88-billion pension fund is invested in real estate, primarily in premium retail and office properties.

Cadillac Fairview operates independently under President & CEO Peter Sharpe, in support of the long-term investment focus of the pension plan. It has 1,800 employees.

REAL ESTATE FAST FACTS

$10.9 billion
Approximate value of portfolio

12.1%
4-year average annual rate of return

100
Number of properties owned and managed

13%
Percentage of net assets invested in real estate

45
Real estate investments over $50 million

Major new real estate investments boost portfolio

Redevelopment of Georgian Mall

- $66 million expansion and refurbishment of the largest shopping centre in Simcoe County
- addition of 100,000 sq. ft. of retail space in late summer 2006

Purchase of HSBC in Vancouver

- Acquired this 23-storey office tower, with two retail concourses, in heart of Vancouver Sept. 2
- Complements other Vancouver holdings, including Pacific Centre and Waterfront Centre

Development of Maple Leaf Square in Toronto

- Will include two condominium towers, hotel, restaurants, 2,000-seat music club, office space, broadcast studio and retail stores
- To feature sports and entertainment theme
- Being developed with Maple Leaf Sports & Entertainment Ltd.

Don't discriminate, fund says

The Teachers' pension fund is urging the federal government not to discriminate against pension plans when addressing concerns about the conversion of corporations to business income trusts.

Income trusts are similar to public companies, but distribute most of their before-tax profits to unitholders as monthly income. The government has suggested it is losing tax from corporations that convert and pension plans are aggravating the problem because they are "tax exempt".

"Our message is: 'Don't discriminate against pension plans and individuals saving for retirement.' Pension plans and RRSPs are tax-deferred, not tax-exempt, arrangements. Limiting or taxing pension plan investments will not solve the problem, and it will cost our members and the government real money," said Bob Bertram, Executive Vice-President, Investments.

The fund has more than $2.5 billion invested in income trusts. Last year, the investments returned about $900 million, enough to pay pensions to 25,000 members. ■

(Teachers' has a 58 per cent stake in the company) and Lanterra Developments for completion in 2009

Development of Toronto office tower

- New office complex, about as big as major bank towers, to be built in downtown Toronto, beginning in 2006
- First phase will be more than 30 storeys, with potential for up to 18 more floors
- Scheduled for completion in 2009

Major Ontario shopping centres

Name	City	Ownership (%)
Cataraqui Town Centre	Kingston	50
Don Mills Shopping Centre	Toronto	100
Erin Mills Town Centre	Mississauga	50
Fairview Mall	Toronto	50
Fairview Park Mall	Kitchener	100
Georgian Mall	Barrie	100
Heritage Place	Owen Sound	50
Hillcrest Mall	Richmond Hill	100
Lime Ridge Mall	Hamilton	100
Markville Shopping Centre	Markham	100
Masonville Place	London	100
Promenade (The)	Toronto	50
Rideau Centre	Ottawa	31
Sherway Gardens	Toronto	100
Toronto Eaton Centre	Toronto	100

Top 10 real estate holdings

Name	City	Sq. ft. (000s)
Chinook Centre	Calgary	1,186
Le Carrefour Laval	Montreal	1,312
Les Promenades St-Bruno	Montreal	1,072
Lime Ridge Mall	Hamilton	815
Markville Shopping Centre	Markham	1,018
Pacific Centre	Vancouver	1,399
Polo Park Mall	Winnipeg	1,209
Sherway Gardens	Toronto	984
Toronto-Dominion Centre	Toronto	4,424
Toronto Eaton Centre	Toronto	3,487

Investment briefs

Fund buys manufacturer of Serta mattresses

Here's one investment that may allow you to sleep better at night.

The Teachers' pension fund and Ares Management LLC, a Los Angeles-based investment firm, are buying National Bedding Co., the largest maker of Serta mattresses.

"Serta is one of the oldest and best known names in the bedding industry. It has a very strong presence in the North American mattress market," said Teachers' Senior Vice-President Jim Leech.

The pension fund teamed up with Ares Management in 2003 to purchase U.S. travel luggage maker Samsonite. Other joint ventures with private investment firms in recent years include the purchase of Shoppers Drug Mart and Yellow Pages.

Fund purchases largest U.S. pet food maker

The Teachers' pension fund is purchasing the largest manufacturer of private label pet food in the U.S. for $1 billion.

Based in Brentwood, Tenn., Doane Pet Food Co. serves many of the biggest pet food retailers in the U.S., Europe and Japan.

"This is a great company with excellent growth prospects," said Jim Leech, Teachers' Senior Vice-President. "No matter what the economic conditions, people still feed their dogs and cats."

Doug Cahill, Doane President and CEO, said the Teachers' fund has a "rich history" of investing in strong companies. "We're delighted with the fund's recognition of our tremendous potential and achievements."

Fund buys leading Canadian property and casualty issurer

The Teachers' pension fund purchased CGAN Insurance in October. Founded in 1955, the company focuses on commercial and industrial insurance through a network of independent brokers. It underwrote $221 million in gross premiums in 2004.

Current address needed

Don't forget to tell us if you move. We need your current mailing address to deliver important information, such as your T4A and direct deposit notice.

If you are registered for *i*Access Web, our secure member website, you can change your address and retrieve a duplicate copy of your T4A online any time. Log on to our website at www.otpp.com and follow the link found on the home page.

If you aren't registered, notify us of your new address by phone, fax, mail or e-mail (inquiry@otpp.com). Key upcoming mailings include:

- Late January – Direct deposit notice (shows your 2006 inflation increase)
- Late February – T4A (required to complete your tax return)

4,000 teachers join retired ranks

A champagne breakfast in September is an increasingly popular way for retired teachers to usher in a new school year outside the classroom. About 4,000 teachers have retired so far this year, raising the pensioner population to more than 100,000.

Discover the benefits of *i*Access Web

More than 62,000 members have discovered the benefits of *i*Access Web, our secure member website.

The site gives pensioners an opportunity to:

- Update their address and other personal information
- View audio-visual presentations on popular pension subjects, such as inflation protection, re-employment and CPP integration
- Change the "extra" income tax deducted from their pensions
- Retrieve and print duplicate T4As
- View historical personal pension information
- Access their own pension correspondence in a private document centre

To register for *i*Access Web, complete the form found on our website at www.otpp.com, or call 416-226-2700 or 1-800-668-0105. Registration requires only five minutes and an active e-mail account.

If you register by the end of this year, your name automatically will be entered in a draw for a computer that can be donated to the school of your choice.

Q *Who is responsible for pension plan funding?*

A The Ontario government and the Ontario Teachers' Federation (OTF) set pension contribution and benefit levels. They also share responsibility for surpluses or shortfalls in the pension fund.

Contrary to many members' beliefs, the board of the Teachers' pension plan cannot change benefits or the contribution rate – any changes are negotiated by the OTF and government. (Keep in mind that your pension cannot be reduced under current law.)

The pension plan board is responsible for investing the fund's assets, administrating the pension plan and paying pensions.

Q *Can you explain the rules for teaching after retirement?*

A Under temporary rules in effect from Sept. 1, 2001, to Aug. 31, 2006, you can teach for up to 95 days each school year without affecting your pension, no matter how many days you taught in the past. (A school year runs from Sept. 1 to Aug. 31.)

After Aug. 31, 2006, we will return to the normal rules limiting how much you can teach after retirement.

Under the normal rules, you can teach for up to 95 days in each of the first three years in which you return to teach (these don't need to be consecutive years) and 20 days each school year after that. Even if you return to work for only one day in each of the first three years, the 20-day limit still applies in your fourth and subsequent teaching years.

The first three years in which you return to teach:

- Include any years you taught as a pensioner before the temporary window went into effect Sept. 1, 2001.
- Exclude any years you taught as a pensioner during the temporary window – Sept. 1, 2001, to Aug. 31, 2006.

For more information, read the *Teaching after Retirement* fact sheet available on our website at www.otpp.com or view an audio-visual presentation on *Re-employment* on *i*Access Web TV.

Pension pay dates

Your pension is deposited on the last business day of every month. Payments in other countries may take longer. If you change bank accounts, let us know early in the month in which the change takes place. Keep your old account open until your pension is deposited in your new account.

Month	Deposit
November	Wed., Nov. 30
December	Fri., Dec. 30
January	Tues., Jan. 31
February	Tues., Feb. 28
March	Fri., March 31
April	Fri., April 28
May	Wed., May 31
June	Fri., June 30
July	Mon., July 31
August	Thurs., Aug. 31
September	Fri., Sept. 29
October	Tue., Oct. 31
November	Thurs., Nov. 30
December	Fri., Dec. 29

Pension News

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We appreciate your comments about anything you read in *Pension News*. Please contact Debra Hanna at 416-730-5351 or 1-877-812-7989 or e-mail: debra_hanna@otpp.com

This newsletter does not create any right to benefits. Your entitlements and those of your survivors are and will be governed by the language of the pension plan text. The information contained in this newsletter is not intended to be relied upon in relation to any particular circumstance.

Ce bulletin est disponible également en français.
ISSN 1180-3282

Website sports new look

Take a few minutes to dive into www.otpp.com. The pension plan's website has been redesigned, with the help of members, to make it easier to use. The site features improved navigation, better search features, richer content and a fresh new graphic look. Information is organized, in easily digestible chunks, on more than 700 pages. Find out, among many other things:

- About the features of your pension plan
- Why the plan has a funding shortfall
- Who sits on the Board of Directors
- Where the pension fund invests
- How our investments performed
- How we intend to vote on proposals affecting the companies in which we invest

Holiday hours

Client Services will be closed

Dec. 26 – 27 and Jan. 2

Return undeliverable Canadian addresses to:
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PM# 40062973